The Taxicab Industry in Winnipeg

Discussion Paper

Prepared by the Steering Committee of
A Study of the Winnipeg Taxicab Industry
and Related Problem Areas

A. Background

The Taxicab Board regulates the taxicab, limousine, u-drive and handivan industries in the City of Winnipeg. The Board was established in 1933, under provisions of The Taxicab Act, when the municipal councils making up Greater Winnipeg refused to accept responsibility for regulating the chaotic taxicab industry.

The Act was enacted by the Province and governs only the City of Winnipeg. There is no provincial legislation governing the operation of taxicabs in the rest of Manitoba except when a municipal boundary is crossed. In this case the Motor Transport Board has jurisdiction to issue inter-municipal livery licences.

For many years the Taxicab Board operated on a relatively clear mandate based on issuing licences and ensuring that taxis are in a clean and safe condition. However, the environment has changed and the complexity of the work of the Board has increased. A number of factors have contributed to the complexity of regulating the industry.

1. The public has become more aware about the taxicab industry due to the extensive media coverage dedicated to the recently released studies on the safety of drivers, the condition of the cars and the concerns of customers.

2. Both drivers and owners have organized into associations which have become active on behalf of their members.

3. Changes in the areas of human rights and labour legislation create a more complex environment in which to regulate.

4. The jurisdiction of the Board was expanded when handivan services were returned under their authority.

5. Recent attacks on taxicab drivers has prompted an increased concern for safety and the demand that the Board remedy the situation.

6. The Board does not have staff available with the economic and legal expertise required to analyze the implications of the regulatory issues which the Board now faces.

The members of the Board believe that the present organization of the Board does not allow it to effectively deal with the complex environment in which it is required to function. The Board is aware of the need to review and possibly revamp its mandate and organization.

In the summer of 1987, the Board approached the Minister of Highways and Transportation for assistance. As a result, Manitoba Highways and Transportation sponsored a study on behalf of the Taxicab Board. On December 11, 1987, the Province and Touche Ross Management Consultants entered into an agreement for Touche Ross to conduct the study.

The objective of the study was "to identify and delineate the range of problems faced by the taxicab industry in the City of Winnipeg and to determine what changes in mandate or scope of operations of

the Board, if any, would be required for the effective regulation of the industry."

The Taxicab Board received the final report from Touche Ross on June 2, 1988. The report identifies and addresses the issues inherent to the industry. The ideas put forth by the consultants will serve as a focal point during discussions regarding the industry. The Board will then analyze and investigate any submissions received from the industry or the public. By the latter part of this year, the Board hopes to have developed an action plan that will help resolve many of the problems that they face.

B. Problems and Issues for Discussion

This section illustrates the problems and issues which characterize the taxicab industry in the City of Winnipeg. The problems and issues, some of which are discussed in the Touche Ross study, have been categorized into economic, legal, social and organizational issues. Where appropriate a number of questions relating to each issue are presented to facilitate the discussion process.

ECONOMIC

1. Fare Structure

The Board requires a method to assist in the calculation of fares for the industry. At present, decisions regarding fares are granted based upon limited information submitted by the applicants for the fare increase.

Questions to be answered:

- What economic information should be requested to allow the Board to make an informed decision?

- Is the current fare structure reasonable?

- What formula could be developed which would allow the Board to determine the fare structure?

2. Owners' Return on Investment (ROI)

This issue is related to the fare structure since the revenue generated from the fares must be sufficient to allow the owners to pay adequate wages, to cover other operating costs, to maintain the vehicle in safe condition and still allow for a fair return to the investor.

The Board does not have conclusive evidence to determine the value of the owners' ROI. The amount must be known not only to determine the fare structure but also to be aware of the health of the industry.

Questions to be answered:

- What is the actual ROI that the owners earn?

- What is a "fair" return for the owners?

3. Value of Taxicab Licences

In 1972, a Taxicab Inquiry Commission was established to study the operation of the taxicab industry. One of the major reasons for the establishment of the Commission was "the exorbitant price being asked and paid for taxicabs (licences) in the metropolitan Winnipeg area." The commission found that the selling price of a licence in 1966 was approximately $10,000. In 1970, the selling price amounted to $12,000 to $18,000. By 1988, the selling price for a taxicab licence averages $55,000.

Questions to be answered:

- At an average selling price of $55,000 is the purchaser able to finance the investment and still make a fair return?

- Should the Board control the selling price of licences?

- How can the Board control the prices?

- Should taxicab licences command a price at all?

- How does the public benefit from the capital being invested in an intangible asset, namely the licence, rather than tangible assets such as new vehicles or updated dispatch equipment?

4. Number of Licences

In 1935, the Board established a quota of 270 taxicab licences for the City for Winnipeg. The Board increased the quota over the years. By 1947, the quota had reached 400. Forty years later, the figure has remained unchanged.

Due to the quota, the only option available to an individual who wishes to enter the taxicab business is to buy a licence from someone who already owns one, or to buy shares in a company that holds taxicab licences. The price of the licences may have increased due to the limited entry.

Questions to be answered:

- Should the present quota on licences be increased?

- How should the availability of the new licences be controlled?

- What would the impact be on the owners of the 400 existing licences by expanding the number of licences?

- Should the industry be freed from economic regulation, allowing anyone with a safe, insured vehicle and a qualified driver to operate a taxi at a rate set by competition in the marketplace? The Board would continue to set standards for drivers, insurance, cleanliness of vehicles, safety etc.

5. Airport Service

Unicity Taxi owns the exclusive standing rights at the Winnipeg International Airport. By contracting the service to one particular company, airport management intended to provide the public with guaranteed, quality service. However, various concerns have been received regarding taxicab service at the airport. These include:

- the supply of taxicabs often does not satisfy demand;
- the conditions of the taxicab itself are below reasonable expectations (e.g. - cleanliness, age of taxicab, and working conditions); and,
- driver training and knowledge of the city should be improved.

Over one million people pass through the airport each year. Many of them will form their first impression of Winnipeg from the service they receive from Unicity Taxi. Airport management is concerned that due to the problems with service, visitors to Winnipeg will form a negative image of our city.

Questions to be answered:

- Are the concerns of the airport management valid?

- Should Unicity continue to operate a monopoly service at the airport?

- How should the Taxicab Board, the owners and the airport management deal with the problems of taxicab service at the airport?

LEGAL

6. Legal Authority of the Board

Some questions have been raised regarding the authority of the Board under existing legislation.

Questions to be answered:

- What level of legal expertise does the Board require in order to deal with regulatory decisions?

- What are the legal implications of the decisions that the Board will make as a result of the discussions?

- Does the existing legislation allow the Board to make necessary decisions?

SOCIAL

7. Human Rights

Recently the Board has become aware of situations that involve possible violations of human rights or workers' rights. For example, would the refusal of a customer, if he/she is severely handicapped and does not have an escort, be a violation of the human rights of the customer?

Questions to be answered:

- How does the Board deal with the racial discrimination issues when and if they arise between owners, drivers, and/or passengers?

- Should the Board deal with human right problems or should these cases be referred to the Human Rights Commission?

- Are drivers, employees or independent contractors?

- Should labour disputes be handled by the Board or directed to the Manitoba Labour Board?

8. Handivans

On July 1, 1986, The Taxicab Act was amended to bring handivan transportation under the jurisdiction of the Board. This was done largely due to the demands of the Manitoba League for the Physically Handicapped as a result of the irreconcilable differences of opinion between users and operators with respect of rates, safety, service and equipment.

The Board regulates six firms which provide an on-demand transportation service for the mobility disabled requiring wheelchair transportation. They provide service similar to that provided by taxis and/or charter service to individuals or groups.

In July 1987, the Province of Manitoba commissioned a two part study on the handivan industry in Winnipeg. Part 2, Review of Cost of Operations Viability, Policies and Regulation, Respecting the Wheelchair Taxi Industry in Winnipeg was conducted by J. Steve Merrett. Mr. Merrett concluded that the owners of the wheelchair

transportation firms do not appear to generate sufficient revenue under the existing tariff and operating system. On the other hand, the users want the service to be provided at taxi rates. Other areas of concern are overcapacity and integration of service from the owners' point of view and equipment used and availability on the part of the users.

Mr. Merrett concluded that the commercial wheelchair taxi industry in Winnipeg provides adequate service to meet the needs of its users. In the short term the industry requires increased revenue. However, Mr. Merrett has recommended the following more serious changes in the long run:

1. It will be impossible to regulate the industry effectively using the powers of the Taxicab Board and its current method of operation. However, regulation outside the Board by another agency would not improve the situation. The best solution, according to Mr. Merrett, is to establish some form of special advisory service to the Board. This proposal was rejected by several user groups at a public meeting held by the Taxicab Board.

2. The only way to achieve taxi rates in the handivan industry is through some form of external subsidy, as the operating costs of the handivan companies are higher than those of a taxi company. The higher costs are incurred because of the need for special equipment and the special services provided by the drivers. In the long run, there will have to be a separation between the rates paid to the operators and the rates charged to the users.

3. Users are concerned that some of the van equipment jeopardizes their safety. Specifically, they feel that modifications should be made to the narrow steep entry exit ramps and the low headroom at the doors. Mr. Merrett recommends that standardized

modifications should be made to existing vans in order to improve access and increase entrance and exit room.

Mr. Merrett concluded the study with the statement that it is considered doubtful whether the present system of single purpose regulation under the Taxicab Board will suffice to accommodate these changes.

Due to the financial problems of the handivan operators, and in consideration of the findings in the Stechishin/Merrett and Touche Ross reports, the Taxicab Board has ordered an interim deregulation of the handivan industry effective June 22, 1988. The decision to permanently deregulate the industry hinges upon what will occur during the test period.

Questions to be answered:

- A unique service is available in Vancouver for the transportation of mobility impaired. Vancouver Taxi Ltd. was granted thirty special licences at regular cost excluding the market value. In return Vancouver Taxi provides a taxi service in modified vehicles that accommodate both ambulatory and non-ambulatory passengers at regular taxicab rates. Would a system such as the Vancouver Taxi operation be feasible in Winnipeg?

- A new brokerage system is being implemented on July 1, 1988 by Handi-Transit and Unicity Taxi. Unicity will supplement the Handi-Transit fleet by providing twenty taxicabs during peak hours. Will this service alleviate some of the transportation concerns of the mobility disadvantaged in Winnipeg?

- Touche Ross presented two options for regulating handivans. The first is to bring all handivans, not just metered trips,

under the Board's direct control. The consultant recommends that any required subsidy should be provided to the Board from appropriate departments of government. The second is for the Board to relinquish jurisdiction completely and reassign it to appropriate social agencies. Service could be awarded through a tendering process. What are the pros and cons of the two options presented in the Touche Ross study?

- What would be the consequence of deregulation which is the second and preferred option of the Touche Ross Study?

- Are there other options which may achieve the desired ends? What are the implications of these options?

ORGANIZATIONAL

9. Mandate

Based upon the problems identified in previous studies and during the discussion period, the Board would like to determine the details, if necessary, for the reworking of the Board's mandate; possible amendments to The Taxicab Act; and an assessment of the ability of the Board to deal with regulatory decisions requiring legal, economic or other areas of expertise.

Some options of how the Board could obtain the required expertise include:

- hiring in house expertise such as an economic research analyst;

- looking to other government agencies for periodic assistance;

- sharing resources and a common chairpersonship with the Motor Transport Board;

- transferring the investigative and compliance functions to Driver and Vehicle Licencing thus allowing the Board to focus upon policy development, research and adjudication; and,

- contracting professional firms as required.

Questions to be answered:

- What changes should be made to the Board's mandate?

- What amendments would be required to The Taxicab Act?

- What is the best option for the Board to pursue to obtain the required expertise?

- What would be the estimated costs of the implementation of the options?

10. Relinquish Jurisdiction:

Another option that the Board could consider, is to ask the City of Winnipeg to take over responsibility of the industry once all the issues are resolved. Winnipeg is the only Canadian city where the taxicab industry is controlled by a provincial government body.

Questions to be answered:

- Should the Province continue to control the industry or at some time in the future should the taxi industry be returned to the control of the City of Winnipeg?

C. Policy Alternatives

Three alternative policy frameworks concerning the regulation of the taxicab industry in the City of Winnipeg are presented in the Touche Ross study. These are:

1. Reliance on Pure Market Forces or Deregulation.
2. Complete Regulation.
3. Increased Competition along with Stricter Regulation.

Appendix I of this paper is an excerpt from the Touche Ross study which presents the alternatives.

Questions to be answered:

- What are the pros and cons of each alternative?

- Are there any other alternatives that should be considered?

- What would be the positive and negative effects of the preferred option?

D. Request for Submission

The Taxicab Board invites all interested parties to submit comments on this paper and the Touche Ross study, preferably in writing, to:

The Taxicab Board
B102D - 1075 Portage Avenue
Winnipeg, Manitoba
R3G 0S1

ATTENTION: Mr. Charlie Walker

The Board will accept submissions until August 31, 1988. Submissions received after this date may not be included in the Board's analysis of the industry. The submissions will form the basis of discussions at public hearings to be held in the latter part of 1988.

APPENDIX I

4. POLICY ALTERNATIVES

This study concerns regulation of the taxicab industry in the City of Winnipeg and, as such, it is appropriate to define policy alternatives. The basic alternative policy frameworks are presented below.

ALTERNATIVE 1 - RELIANCE ON PURE MARKET FORCES

This alternative implies that pure market forces and open competition should determine prices, service levels and returns on investment in the taxicab industry. Total deregulation is implied by this alternative.

Experience of other cities with total deregulation provides little evidence that it works well. On the contrary, there is some evidence to suggest it leads rapidly to deterioration of quality of service, including unpredictable response times and fluctuating tariff structures. De-regulation actually has led to fare increases in a number of U.S. cities. The Municipal and Public Utility Board Study of 1931 and the Taxicab Inquiry Commission Report (1972), cited earlier in this report, speak eloquently about the problems of a deregulated industry, including the social ills which can be a result of this policy.

ALTERNATIVE 2 - COMPLETE REGULATION

This alternative implies development of a series of comprehensive regulations under the existing conditions of licensed capacity and ownership. The objective would be to exercise complete control over prices, service levels and return on

investment. The consequence would be a taxicab industry similar to the public transit system.

This alternative could be expensive and would amount, in effect, to public management of the industry.

ALTERNATIVE 3 - INCREASED COMPETITION ALONG WITH STRICTER REGULATION

This alternative involves a combination of increased competition and tougher regulations to create a better balance in the industry. The Board would use its authority to determine the number of licenses and regulations on their ownership, transfer and renewal, and other regulations for the industry to ensure that the Board's obligations under the Act are met.

In effect, this alternative embodies the intent of the Taxicab Board Act. It appears to be a practical, preferable alternative to either lesser or greater regulation of the industry.

Recommendations developed for this study are based on a policy of fostering increased competition, along with stricter regulation.